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# **Tobin & Co.**

Suttons Bay-Bingham District Library

Leelanau County, Michigan

Audit Report

For the Year Ended June 30, 2008

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Suttons Bay-Bingham District Library	County* Leelanau	Type* Library	MuniCode*
Opinion Date-Use Calendar* 12/16/08	Audit Submitted-Use Calendar* 12/30/08	Fiscal Year End Month* June	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 139 768
General Fund Expenditure:	? 135166
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 47612
Governmental Activities Long-Term Debt (see instructions):	? -0-

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* BASLER	Ten Digit License Number* 1101013418		
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 231 947-0151
CPA Firm Name* Tobin & Co., PC	Unit's Street Address*	Unit's City*	Unit's Zip*	

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INTRODUCTORY SECTION

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# **Tobin & Co.**

## Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Suttons Bay-Bingham District Library, Leelanau County, for the year ended June 30, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Suttons Bay-Bingham District Library taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

### Organization and Function

The Suttons Bay-Bingham District Library is organized in accordance with State statutes. It serves residents of Bingham Township, Suttons Bay Township and the Village of Suttons Bay. It is recognized as a public library by the State Library Board to which it submits annual reports. The Public Library is governed by a board appointed by the units which it serves. The Board meets monthly.

The Library has numerous volumes available for loan to users. Users must be registered with the Library. No fines are assessed for overdue books, but follow-up procedures have been adopted and are enforced.

Revenues consist of penal fines assessed by County courts, State aid, appropriations from participating Townships, earned interest, donations, and other miscellaneous income.

### Accounting Records and Procedures

In general, accounting records were maintained in very good order. Recorded revenues were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

The Treasurer and Librarian maintain a receipts and disbursements journal which also reflects the balance in the bank at all times. Income and expenses are posted monthly from the journal to individual ledger accounts from which periodic and annual financial statements are prepared.

### Board Minutes

Board minutes were maintained in good order and kept in a separate binder.

### Budgets and Procedures

A budget for the General Operating Fund was prepared and amended as required by law.

### Insurance and Surety Bond Coverage

Records indicate that the Library has such insurance coverage as fire and extended coverage for buildings, collections, and equipment, general liability and workmen's compensation. We were informed that coverage was reviewed during the audit year. The Treasurer is bonded for \$5,000.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

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# Tobin & Co.

## REPORT OF INDEPENDENT AUDITOR

To the Library Board  
Suttons Bay-Bingham District Library  
Leelanau County  
Suttons Bay, Michigan 49682

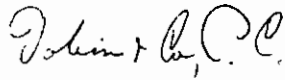
We have audited the basic financial statements of Suttons Bay-Bingham District Library, Leelanau County, as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of such funds of Suttons Bay-Bingham District Library, Leelanau County at June 30, 2008, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



TOBIN & CO., P.C.  
Certified Public Accountants  
December 16, 2008

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## **SUTTONS BAY BINGHAM DISTRICT LIBRARY MANAGEMENT DISCUSSION AND ANALYSIS**

### Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The individual fund balance sheet/statement of net assets and the individual fund statement of revenue, expenditures and changes in fund balance/statement of activities include information about the Library's General Fund under the modified-accrual/full accrual method.

The modified-accrual method focuses on current financial resources. The full-accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short-term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net assets.

Under the previous system of fund-based statements, the Library has traditionally accounted for compensated absences under General Long Term Debt. Under GASB 34 requirements, these are now reflected in the statement of net assets.

Where appropriate, comparisons have been made to last year's expenditures.

### The Library as a Whole

The Library's net assets decreased by \$10,306 this year from the previous fiscal year. The Library's primary sources of revenue are appropriations from Suttons Bay and Bingham townships. This amount was approximately 71% of the year's revenue. This amount is about 8.7% higher than last year due to an increase in assessed property values. Other major sources of revenue include penal fines, State Aid and patron donations. Several restricted patron donations were made this year.

Salaries and related payroll liabilities account for the largest expense in the Library's budget, which equated to approximately 47.7% of total expenditures. This compares with 43% last year. Pension plans are offered to the Director and Assistant Director. Employer contributions amount to 6.2% of covered payroll. Health insurance is paid for the Director.

The largest non-salary related expenditures are for collection expenditures on books, periodicals and audio-visual materials. These amount to approximately 21% of the budget, compared to 21.5% in 2006-2007.

### The Library Funds

The Library uses a General Fund to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues, as noted, are derived mainly from property taxes and other intergovernmental revenues. Suttons Bay Bingham District Library maintains a trust account for the Library and acts as the financial agent of the Library.

### The Library's Budgetary Highlights

The Library had a decrease in revenue from traditional sources: local taxes, state aid and penal fines but made up for that difference in donations. The Library received \$16,289 in gifts and donations for the year 2007-2008. The original budget had planned for \$5,600. For expenditures the Library was under budget in all categories.

### Capital Assets and Long Term Debt Activity

At the end of the fiscal year, the Library had \$836,071 invested in building, furniture, equipment, books, and audio-visual materials. The Library rents the land upon which their facilities are located from the Village of Suttons Bay.

The Library's long-term debt activity consists of capped accumulated compensation employee absences (sick leave, vacation and personal days) for the Director and Assistant Director. When either of these employees terminates employment, they shall be paid one half of the cumulative sick time. Compensated absences account for all of the fiscal year's long-term debt activity.



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### Next Year's Anticipated Budget Factors

For the year 2008-2009, the Library anticipated a decrease in income from penal fines and slight increase in tax revenue based on increase of land values. For the Library's expenditure for collection, the Library budgeted an additional 10% over the previous year. With the higher costs of fuel the Library increased the budget by 10% for electricity and by 20% for gas. The Library gave the director a 4.10% raise. For capital outlay, the budget included specific amounts for an outdoor trash receptacle and a new copy machine. The Library reviews the budget monthly, and currently is under budget in all categories.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Virginia Roberts, Library Director, at P. O. Box 340, Suttons Bay, MI 49682, phone (231) 271-3512.

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## Suttons Bay-Bingham District Library Statement of Net Assets and Governmental Fund Balance Sheet June 30, 2008

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Petty Cash	\$ 150	\$ -	\$ 150
Cash on Hand	17,868	-	17,868
Cash in Bank – Checking	4,102	-	4,102
Cash in Bank – Money Market	539	-	539
Cash in Bank – Certificate of Deposit	34,949	-	34,949
Accounts Receivable	13,003	-	13,003
Prepaid Expenses	1,733	-	1,733
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>285,412</u>	<u>285,412</u>
Total Assets	<u>\$ 72,344</u>	<u>285,412</u>	<u>357,756</u>
<u>Liabilities</u>			
Accounts Payable	\$ 9,663	-	9,663
Deferred Revenue	15,069	-	15,069
Compensated Absences	<u>-</u>	<u>3,329</u>	<u>3,329</u>
Total Liabilities	<u>24,732</u>	<u>3,329</u>	<u>28,061</u>
<u>Fund Balances/Net Assets</u>			
Fund Balance			
Restricted	5,556	(5,556)	-
Unrestricted	<u>42,056</u>	<u>(42,056)</u>	<u>-</u>
Total Fund Balances	<u>47,612</u>	<u>(47,612)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 72,344</u>		
<u>Net Assets</u>			
Invested in Capital Assets		285,412	285,412
Restricted		5,556	5,556
Unrestricted		<u>38,727</u>	<u>38,727</u>
Total Net Assets		<u>\$ 329,695</u>	<u>\$ 329,695</u>

See Accompanying Notes to Basic Financial Statements

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## Suttons Bay-Bingham District Library Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>Expenditures/Expenses:</u>			
Library Materials	\$ 28,146	\$ 5,075	\$ 33,221
Salaries, Wages and Fringe Benefits	64,419	977	65,396
Facilities and Equipment	29,648	8,856	38,504
Administrative Services	<u>12,953</u>	<u>-</u>	<u>12,953</u>
Total Expenditures/Expenses	<u>135,166</u>	<u>14,908</u>	<u>150,074</u>
<u>Program Revenues:</u>			
Charges for Services	3,949	-	3,949
Operating Grants and Contributions	<u>134,094</u>	<u>-</u>	<u>134,094</u>
Total Program Revenues	<u>138,043</u>	<u>-</u>	<u>138,043</u>
Net Program Revenues (Expenses)	2,877	(14,908)	(12,031)
<u>General Revenues:</u>			
Interest	<u>1,725</u>	<u>-</u>	<u>1,725</u>
Excess Revenues (Expenditures)	4,602	(14,908)	
Change in Net Assets			(10,306)
<u>Fund Balance/Net Assets:</u>			
Beginning of the Year	<u>43,010</u>	<u>296,991</u>	<u>340,001</u>
End of the Year	<u>\$ 47,612</u>	<u>\$ 282,083</u>	<u>\$ 329,695</u>

See Accompanying Notes to Basic Financial Statements

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## Suttons Bay-Bingham District Library Notes to Financial Statements June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Reporting Entity

Suttons Bay-Bingham District Library is located in Leelanau County and serves at least two Townships and the Village of Suttons Bay.

The Library's basic financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, *"The Financial Reporting Entity"*, includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

#### B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Library. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Library are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from penal fines, state aid, and local unit appropriations.

#### C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Library Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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## Suttons Bay-Bingham District Library Notes to Financial Statements June 30, 2008

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### D. Budgets

The General Fund is under formal budgetary control. Budgets shown in the required supplementary schedule for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Library.

For budgetary purposes appropriations lapse at fiscal year end.

#### E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more except for collection items and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	40 years
Building Improvements	20 years
Furnishings	10 years
Collections	2-10 years
Equipment	5 years

#### F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2008, no cost center exceeded its appropriation without formal budget amendment.

### NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Net capital assets of \$285,412 used in governmental activities are not financial resources and therefore are not reported in the fund.

Long-term liabilities (compensated absences of \$3,329) applicable to the Library's governmental activities are not due and payable in the current period and accordingly are not recorded as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

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Suttons Bay-Bingham District Library  
Notes to Financial Statements  
June 30, 2008

NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. Depreciation of Library materials exceeded capital outlay by \$5,075 for the year. Facilities and equipment depreciation exceeded capital outlay by \$8,856 for the year.

Compensated absence expenditures in the general fund required the use of \$977 of current financial resources less than those reported in the statement of activities.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits

The Library had \$43,046 deposited with a local financial institution at June 30, 2008 with a carrying value of \$39,589. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Library had no uninsured deposits at June 30, 2008.

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## Suttons Bay-Bingham District Library Notes to Financial Statements June 30, 2008

### NOTE 6 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Buildings	\$ 357,632	\$ -	\$ -	\$ 357,632
Building Improvements	24,273	-	-	24,273
Collection	384,196	25,401	16,763	392,834
Equipment	32,532	6,618	-	39,150
Furnishings	22,182	-	-	22,182
Total	820,815	32,019	16,763	836,071
Accumulated Depreciation	(521,472)	(45,950)	(16,763)	(550,659)
	<u>\$ 299,343</u>	<u>\$ (13,931)</u>	<u>\$ -</u>	<u>\$ 285,412</u>

### NOTE 7 - INVENTORIES

Suttons Bay-Bingham District Library does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

### NOTE 8 - PENSION PLAN

The Library participated in a defined contribution simplified employee pension plan for its employees who earn over \$5,000 per year. Contributions made to the plan for the audit year at 6.2% of covered payroll were \$3,184. Covered payroll was \$49,751 of \$55,084 total payroll. Contributions are immediately 100% vested to the employee.

The Library also provides Medicare and Social Security coverage for all its officials and employees.

### NOTE 9 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Library.

### NOTE 10- LEASE

The Library rents the land upon which their facilities are located from the Village of Suttons Bay under a lease which expires April 26, 2045. The Library is responsible for upkeep, repairs and maintenance, utilities and insurance on the leased property.

### NOTE 11- COMPENSATED ABSENCES

The Librarian accrues one vacation day per month and may carry over up to thirty-two hours to the following fiscal year. In the event of termination of employment, the Librarian is reimbursed for up to twelve days of unused, accumulated vacation leave. One hundred nine hours of vacation leave was unused at June 30, 2008. Other salaried employees accrue vacation time based upon the number of hours worked and the length of library employment and may carry over up to twenty hours to the following fiscal year. In the event of termination, the other salaried employee is reimbursed for up to seven and one half days of unused accumulated vacation leave. Thirty-nine plus hours of vacation leave was unused at June 30, 2008. The Librarian also accrues eight sick leave days and two personal leave days per year. Other salaried employees accrue sick leave at three and one half hours per month up to a maximum of sixteen days. The sick leave days may be accumulated up to sixteen days. In the event of termination of employment, the Librarian and other salaried employees are reimbursed for one half of any unused, accumulated sick leave. Nine plus sick leave days were accumulated and unused at June 30, 2008.

# **Tobin & Co.**

Suttons Bay-Bingham District Library  
Notes to Financial Statements  
June 30, 2008

## **NOTE 12- RISK MANAGEMENT**

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Library addressed these risks through the purchase of commercial insurance through a local insurance agent and Citizens Insurance Company of America. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.



SUPPLEMENTAL DATA SECTION

# Tobin & Co.

## Suttons Bay-Bingham District Library Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule 1  
Page 1

Revenues	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Contributions from Local Units:				
Penal Fines – Leelanau County	\$ 15,000	\$ 15,000	\$ 14,863	\$ (137)
Suttons Bay Township	54,756	54,756	54,500	(256)
Bingham Township	44,912	44,912	44,912	-
State Grants:				
State Aid	4,267	4,267	3,530	(737)
Charges for Services:				
Copier Fees	4,000	4,000	3,949	(51)
Interest and Rent:				
Interest	1,300	1,300	1,725	425
Other:				
Gifts, Donations, Memorials and Miscellaneous	<u>5,600</u>	<u>14,759</u>	<u>16,289</u>	<u>1,530</u>
Total Revenues	<u>129,835</u>	<u>138,994</u>	<u>139,768</u>	<u>774</u>
Expenditures				
Library Materials:				
Collection	-	-	25,401	-
Periodicals	-	-	1,414	-
Processing Supplies and Services	<u>-</u>	<u>-</u>	<u>1,331</u>	<u>-</u>
Total	<u>24,500</u>	<u>28,533</u>	<u>28,146</u>	<u>387</u>
Salaries, Wages and Fringe Benefits:				
Salaries and Wages – Librarian	-	-	29,609	-
Salaries and Wages – Other	-	-	21,347	-
Social Security/Medicare	-	-	3,986	-
Health Insurance	-	-	4,128	-
Pension	-	-	3,184	-
Workmen's Compensation	-	-	321	-
Professional Development	<u>-</u>	<u>-</u>	<u>1,844</u>	<u>-</u>
Total	<u>64,013</u>	<u>65,462</u>	<u>64,419</u>	<u>1,043</u>
Facilities and Equipment:				
Utilities	-	-	4,694	-
Telephone	-	-	1,027	-
Janitorial Services	-	-	2,775	-
Automation Services	-	-	7,449	-
Copier Supplies and Service	-	-	1,134	-
Maintenance and Repairs	-	-	2,151	-
Landscaping	-	-	846	-
Capital Outlay	-	-	7,843	-
Insurance	<u>-</u>	<u>-</u>	<u>1,729</u>	<u>-</u>
Total	<u>24,555</u>	<u>31,417</u>	<u>29,648</u>	<u>1,769</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

Suttons Bay-Bingham District Library  
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual  
General Fund  
For the Year Ended June 30, 2008

Schedule 1  
Page 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Administrative Services:				
Community Relations	-	-	1,772	-
Office Supplies	-	-	1,480	-
Postage	-	-	958	-
Professional Services	-	-	5,437	-
Dues	-	-	2,331	-
Insurance	-	-	954	-
Other	-	-	21	-
Total	<u>14,900</u>	<u>16,051</u>	<u>12,953</u>	<u>3,098</u>
Total Expenditures	<u>127,968</u>	<u>141,463</u>	<u>135,166</u>	<u>6,297</u>
Excess Revenues (Expenditures)	(1) <u>\$ 1,867</u>	<u>\$ (2,469)</u>	4,602	<u>\$ 7,071</u>
Fund Balance – Beginning of Year			<u>43,010</u>	
Fund Balance – End of Year			<u>\$ 47,612</u>	

(1) Budgeted from Fund Balance

The Notes to the Basic Financial Statements are an integral part of this statement.

# Tobin & Co.

To the Library Board  
Suttons Bay-Bingham District Library

We have audited the financial statements of Suttons Bay-Bingham District Library for the year ended June 30, 2008 and have issued our report thereon dated December 16, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Suttons Bay-Bingham District Library. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

## Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Library as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to

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initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

### Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

### Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Library has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Library has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Library has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Libraries of its size.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Suttons Bay-Bingham District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Library during the year that were both significant and

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unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Library, either individually or in the aggregate, indicates matters that could have a significant effect on the Library's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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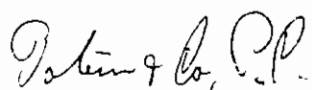
### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Library Board and management of Suttons Bay-Bingham District Library and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tobin & Co., P.C.".

Tobin & Co., P.C.

December 16, 2008